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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 COME-00 EB-07 LAB-04 SIL-01 CU-02 AID-05

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC IMMEDIATE 1815
INFO USCINCSO
DIA/DOD WASHDC
AMEMBASSY ASUNCION
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
AMEMBASSY MONTEVIDEO
AMEMBASSY SANTIAGO

C O N F I D E N T I A L SECTION 1 OF 2 BUENOS AIRES 4598

USCINCSO FOR POLAD

E. O. 11652: GDS
TAGS: PINT, ELAB, AR
SUBJECT: PRELIMINARY ANALYSIS LABOR'S CONFRONTATION WITH GOVERNMENT

REF: BA 4563 (NOTAL)

1. SUMMARY: GENERAL STRIKE IS OVER BUT CRISIS CONTINUES. GOVERNMENT HAS SUSTAINED DEFEAT ON LABOR FRONT AND IN SENATE. QUESTION OF LOPEZ REGA'S FUTURE IS STILL UNCERTAIN, HOWEVER, AND UNTIL THAT IS SETTLED, CRISIS WILL GO ON. EVEN SO, IT IS ALREADY CLEAR THAT LATTER'S POSITION HAS BEEN UNDER-CUT AND POWER CIRCUMSCRIBED. END SUMMARY.

2. BEFORE LIFTING GENERAL STRIKE, CGT WON ALL ECONOMIC DEMANDS AND FORCED MRS. PERON TO DO WHAT ON JUNE 28 SHE
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HAD SAID SHE WOULD NOT DO--I.E. HONOR THE WAGE INCREASES

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AGREED UPON IN COLLECTIVE BARGAINING (PARITARIAS). DEFEAT FOR GOVERNMENT IN THAT AREA IS WELL NEIGH TOTAL. GOVERN-MENT SUSTAINED TWO EQUALLY SHARP DEFEATS IN SENATE ON JULY 8. PERONIST SENATORS DEFIED MRS. PERON'S ORDERS AND JOINED FREJULI ALLIES AND OPPOSITION IN ELECTING A NEW PROVISIONAL PRESIDENT OF SENATE BEFORE CONSIDERING NEW LAW OF SUCCESSION. SENATOR ITALO LUDER WAS ELECTED BY 50 VOTES TO FOUR. ONLY ONE PERONIST VOTE WAS NOT CAST FOR LUDER AND ALL UCR VOTES WENT TO HIM.

3. LUDER'S ACCEPTANCE SPEECH ESPOUSED LINE DIAMETRICALLY OPPOSED TO THAT OF MRS. PERON AND LOPEZ REGA. HE GAVE SPECIAL THANKS TO LOYAL OPPOSITION AND STRESSED NEED FOR CONSENSUS POLITICS. ALL MUST PARTICIPATE FULLY IN PROCESS OR IT WOULD FAIL, HE SAID. SPEECH WAS WELL DELIVERED AND ONE UCR MEMBER COMMENTED THAT WITH IT, LUDER'S IMAGE AS POSSIBLE NEW PRESIDENT OF ARGENTINA WAS STRENGTHENED. (NOTE: LUDER IS PERONIST MODERATE WELL KNOWN TO EMBASSY. HE WAS ON LEADER GRANT TO US AT TIME OF PERON'S DEATH LAST YEAR.)

4. SENATE THEN HANDED MRS. PERON SECOND DEFEAT BY REJECTING HER DRAFT SUCCESSION LAW AND VOTING IN THEIR OWN VERSION. MRS. PERON'S VERSION WOULD HAVE OPENED SUCCESSION TO CABINET MINISERS (IN OBVIOUS EFFORT TO CLEAR WAY FOR LOPEZ REGA). SENATE REJECTED THIS ON GROUNDS PRESIDENT SHOULD BE CHOSEN FROM AMONG OFFICIALS ELECTED BY THE PEOPLE. LAW APPROVED BY SENATE PROVIDES THAT PROVISIONAL PRESIDENT OF SENATE, PRESIDENT OF CHAMBER OF DEPUTIES AND PRESIDENT OF SUPREME TRIBUNAL, IN THAT ORDER, SHALL, IN THE EVENT OF ABSENCE OR INCAPACITATION OF PRESIDENT AND VICE PRESIDENT, EXERCISE CHIEF EXECUTIVE AUTHORITY UNTIL JOINT SESSION OF CONGRESS CAN ELECT NEW PRESIDENT OF THE REPUBLIC FROM AMONG MEMBERS OF CONGRESS AND THE PROVINCIAL GOVERNORS. CHAMBER OF DEPUTIES MUST STILL APPROVE NEW LAW, BUT WILL ALMOST CERTAINLY DO SO JULY 11.

5. MRS. PERON STILL HAS NOT TAKEN ACTION ON CABINET RESIGNATIONS AND SITUATION WITH LOPEZ REGA NOT YET CLEAR. THAT CGT LIFTED STRIKE BEFORE LOPEZ REGA CLEARLY OUT, CONFIDENTIAL

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HOWEVER, DOES NOT INDICATE RETREAT ON WHAT HAD COME TO BE THEIR PRINCIPAL DEMAND. ON CONTRARY, LIFTING STRIKE WAS ASTUTE MOVE ON THEIR PART TO BROADEN THE EQUATION. ISSUE IS NO LONGER ONE PLATED SIMPLY BETWEEN CGT AND LOPEZ REGA; RATHER, IT HAS NOW BEEN PUT IN TERMS OF ALL RPT ALL MAJOR SECTORS AGAINST LOPEZ REGA. THE CGT, ACCORDING TO SOURCE CLOSE TO CASILDO HERRERAS, DECIDED TO LIFT STRIKE ONLY AFTER IT CONVINCED ALL SECTORS HAD BEEN GALVANIZED TO

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ACTION AGAINST LOPEZ REGA AND AFTER THREE CINCS HAD AGREED TO GO IN AND URGE MRS. PERON TO OUST HIM. AT THAT POINT, ACCORDING TO SOURCE, LABOR LEADERS DECIDED IT WOULD BE BETTER TO PURSUE DEMANDS FOR OUSTER WITHOUT MAINTAINING STRIKE, WHICH WAS CAUSING SEVERE DAMAGE TO NATIONAL ECONOMY AND HARDSHIPS TO WORKERS.

6. LAST CHAPTER HAS YET TO BE WRITTEN, BUT WITH VIRTUALLY ALL SECTORS INCLUDING MILITARY NOW OPENLY RANGED AGAINST HIM, IT SEEMS MOST UNLIKELY THAT LOPEZ REGA CAN LONG MAINTAIN HIS POSITION. LA OPINION AS EXPECTED JULY 8 CLEARLY SEEMS HIM AS ALREADY ON WAY OUT, INDICATING HIS ONLY CHOICE IS WHETHER HE LEAVES VOLUNTARILY OR HAS TO HAVE POSITIONS TAKEN AWAY FROM HIM. EVEN IF ALLOWED TO STAY ON FOR A TIME, HIS POWERS HAVE NOW BEEN CIRCUMSCRIBED AND HIS POSITION UNDERMINED. TODAY, HE IS NOT "THE POWER" AS HE WAS A MONTH AGO. THAT POWER HAS NOW BEEN CHALLENGED AND FOUND TO BE VULNERABLE. EVEN SO, SO LONG AS HE IS IN THE GOVERNMENT IN ANY CAPACITY, THERE WILL BE TENSIONS AND ABNORMALITIES IN THE SITUATION-- THERE HAVING BEEN TOO MANY BRIDGES BURNED DURING THE PAST WEEK AND TOO MANY PEOPLE WHO WILL NOT SLEEP WELL SO LONG AS HE IS AROUND. AS ONE US POLITICAN SAID OF A DEADLY OPPONENT: "YOU DON'T WOUND HIM; YOU EITHER KILL HIM OR YOU GET OUT OF TOWN." THAT IS THE WAY LOPEZ REGA'S OPPONENTS FEEL ABOUT HIM. FURTHER, THERE IS A DISTURBING POSSIBILITY THAT BETWEEN NOW AND THE FINAL CHAPTER, LOPEZ REGA MAY MAKE A VIOLENT PLAY FOR POWER. THIS WOULD PROBABLY FAIL BUT IT COULD LEAVE A GOOD DEAL OF BLOOD IN ITS WAKE.

7. IN SUM, SO LONG AS HE IS AROUND, ONE CANNOT COUNT LOPEZ REGA OUT, BUT HE HAS CERTAINLY LOST THIS ROUND, CONFIDENTIAL

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IF NOT THE MATCH. HE NEED NOT HAVE DONE SO. SIX WEEKS AGO HE SEEMED ON THE VERGE OF WINNING CONTROL OF THE COUNTRY. THE POLITICAL OPPOSITION WAS IN DISARRAY, THE ARMED FORCES DID NOT WISH TO MOVE AND LABOR'S MOVE AGAINST HIM HAD FIZZLED. LABOR DID NOT HAVE AN ISSUE TO USE AGAINST HIM AND WHILE HE WAS NOT POPULAR WITH THE LABOR RANK AND FILE, LABOR LEADERS COULD NOT BE SURE THE BASES WOULD FOLLOW THEM IN A STRAIGHT-FORWARD POLITICAL MOVE TO OUST HIM. LABOR LEADERS WERE DEMORALIZED AND FELT HELPLESS TO STOP HIS EFFORTS TO CO-OPT SOME LEADERS AND PICK OFF OTHERS. A SOURCE CLOSE TO CASILDO HERRERAS QUOTED HIM AS SAYING AT THE TIME FOR EXAMPLE THAT LOPEZ REGA WOULD EVENTUALLY CUT ALL THEIR THROATS AND THERE SEEMED TO BE NOTHING THEY COULD DO TO PREVENT IT. PAPAGNO OF THE CONSTRUCTION WORKERS AND CARRANZA OF THE

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SOCIAL SECURITY WORKERS AS WELL AS A NUMBER OF OTHERS
HAD ALREADY GONE OVER TO LOPEZ REGA. AND ONCE LOPEZ REGA
HAD LABOR ON HIS SIDE IT WOULD HAVE BEEN ALL THE MORE
DIFFICULT TO DISLODGE HIM.

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INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

PM-03 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 COME-00 EB-07 LAB-04 SIL-01 CU-02 AID-05

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC IMMEDIATE 1816
INFO USCINCSO
DIA/DOD WASHDC
AMEMBASSY ASUNCION
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
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C O N F I D E N T I A L FINAL SECTION OF 2 BUENOS AIRES 4598

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8. THEN, JUST AS HE SEEMED ON THE VERGE OF WINNING,
LOPEZ REGA OVERPLAYED HIS HAND IN THE FORM OF THE NEW
ECONOMIC MEASURES. NOT THAT THE IDEAS THEMSELVES WERE
BASICALLY WRONG. ON THE CONTRARY, ANALYZED FROM
AN ECONOMIC POINT OF VIEW, THEY WENT IN THE RIGHT DIRECTION.
THE MANNER OF IMPLEMENTATION WAS SOMETHING ELSE AGAIN,
HOWEVER, THEY WERE PUT INTO EFFECT PRECIPITATELY,
WITHOUT CONSULTATIONS WITH ANYONE AND WITH LITTLE
THOUGHT FOR THE CONSEQUENCES. DRASTIC INCREASES IN
PRICES PRODUCED PUBLIC UNHAPPINESS AND SHIFTED THE
POPULAR MOOD VERY MUCH AGAINST MRS. PERON. EVEN

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SO, IT APPEARED THAT THE GOVERNMENT MIGHT WEATHER THE
STORM. THE FIRST SHOCK WAVE PASSED WITHOUT ANYTHING
MORE SERIOUS THAN LOUD GRUMBLING AND THE LABOR UNIONS
WERE BEGINNING TO SIGN AGREEMENTS ON NEW WAGE INCREASES.
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GRANTED, SOME OF THE INCREASES WERE FAR IN EXCESS OF THE
38-45 PERCENT AT WHICH THE GOVERNMENT HAD SAID IT WOULD HOLD
THE LINE. BUT GIVEN THE ALMOST OVERNIGHT DOUBLING AND
EVEN TRIPLING OF PRICES OF TRANSPORTATION, GASOLINE
AND SOME FOODSTUFFS, THE GOVERNMENT'S LINE WAS, TO
BEGIN WITH, QUIXOTIC AND POLITICALLY UNTENABLE.
INDEED, MANY OBSERVERS ARE CONVINCED THAT THE WAGE
INCREASE LINE HAD BEEN SET LOWER THAN IT NEED HAVE BEEN
BY LOPEZ REGA, WHO HOPED THUS TO HUMILIATE AND SQUEEZE
OUT THE LABOR LEADERS WHO OPPOSED HIM. HE AND RODRIGO
WERE QUOTED AS SAYING PRIVATELY, "IF THE WORKERS WANT
ANYTHING, THEY'LL HAVE TO US, NOT TO THEIR
OWN LEADERS."

9. THE TACTIC DID NOT WORK BECAUSE IT WAS TOO EXTREME.
EVEN SO, WHEN THE MAJOR UNIONS SIGNED THE PARITARIAS,
THEY WERE IN EFFECT ACCEPTING, OR SURRENDERING TO,
THE NEW ECONOMIC PROGRAM. PRESSURES MIGHT THUS HAVE
BEEN EASED AND LOPEZ REGA WON OUT. APPARENTLY AS
HE SAW IT, HOWEVER, THE HIGH INCREASES WON BY SUCH
ENEMIES AS LORENZO MIGUEL OF THE UOM REPRESENTED A
REPRIEVE FOR THEM (AND A SETBACK TO HIS EFFORTS TO
SQUEEZE THEM OUT) WHICH HE COULD NOT ALLOW TO STAND.
HE THUS COMMITTED THE FATAL ERROR OF TALKING MRS. PERON
INTO CANCELLING THE PARITARIAS. THIS PLAYED DIRECTLY
INTO THE HANDS OF CASILDO HERERRAS AND LORENZO MIGUEL
BY GIVING THEM A CLEAR-CUT BREAD-AND-BUTTER ISSUE THEY
COULD USE TO CUT LOPEZ REGA'S THROAT. THEY SEIZED IT
JOYOUSLY.

10. ONCE LABOR HAD MOVED, OTHER SECTORS QUICKLY SPOKE
UP AND JOINED IN MOVE AGAINST LOPEZ REGA. VIRTUALLY ALL
SECTORS (AND, MOST IMPORTANTLY, THE ARMED FORCES) ARE
CLAMORING FOR HIS REMOVAL. AS INDICATED ABOVE, THE LAST
CHAPTER IS YET TO BE WRITTEN, BUT LOPEZ REGA IS NOT
LIKELY TO BE ON THE SCENE MUCH LONGER. IF HE GOES,
MRS. PERON MIGHT STAY ON FOR A TIME, BUT IT IS A TOSS-UP
AS TO WHETHER SHE WOULD REMAIN PRESIDENT FOR VERY LONG.
SHE HAS STUCK WITH HER SOCIAL WELFARE MINISTER TOO
TENACIOUSLY TO NOW GO ON WITHOUT HIM. INDEED, THE
LONGER SHE STICKS WITH HIM, THE GREATER THE DAMAGE TO
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HER OWN IMAGE AND THE GREATER THE CHANCES (THOUGH SO FAR ONLY THAT) THAT SHE WILL BE ASKED TO LEAVE ALONG WITH LOPEZ REGA. EVEN IF SHE IS NOT, SHE WOULD PROBABLY RESIGN ALONG WITH OR SHORTLY AFTER HE DOES. THE CHANCES ARE VERY HIGH, THEREFORE, THAT ARGENTINA WILL SOON HAVE A NEW GOVERNMENT.

11. FURTHER ANALYSIS OF LIKELY FUTURE TRENDS WILL FOLLOW AT APPROPRIAT MOMENT. IT SHOULD BE NOTED, HOWEVER, THAT WHILE US INTERESTS MAY SUFFER SOME INITIAL SETBACKS IN REACTION TO THE UNPOPULAR ECONOMIC POLICIES INSTITUTED BY RODRIGO, OUR BASIC POSITION IN THE COUNTRY IS SOUND AND WE SHOULD BE ABLE TO RIDE OUT ANY INITIAL DIFFICULTIES WITHOUT TOO MUCH TROUBLE. WE KNOW LUDER, ROBERTO ARES AND MANY OF THE OTHERS WHO ARE LIKELY TO PARTICIPATE IN A FUTURE GOVERNMENT. THEY ARE REASONABLE MEN AND WE SHOULD BE ABLE TO WORK WITH THEM. ARGENTINA WILL MOST CERTAINLY BE IN NEED OF FINANCING, MOREOVER, WHICH SHOULD GIVE US SOME LEVERAGE. ADDITIONALLY, ECONOMIC REALITIES MAY LEAD ANY SUCCESSOR GOVERNMENT TO KEEP (OR TO REINSTITUTE UNDER ANOTHER NAME) MANY OF THE FEATURES OF THE RODRIGO PROGRAM. HENCE, THERE ARE POSITIVE ELEMENTS EVEN ON THE ECONOMIC SIDE.
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